

Arbitrator:
 Dean M. Kilgore
 1301 West 25th Street, Suite 540
 Austin, Texas 78705
 Phone: (512) 478-6120
 Fax: (512) 478-6213

Lost Creek Municipal Utility District
Claimant,

vs.

The City of Austin
Respondent,

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In Re:
Lost Creek Municipal Utility District
Annexation

SUMMARY AWARD IN ARBITRATION

This Award is made in the arbitration of the claims by and between the Lost Creek Municipal Utility District, Claimant (the "MUD"), and the City of Austin, Respondent (the "City"), respecting all issues in dispute between the parties as to the terms of a strategic partnership agreement (generally a "SPA"), as that term is used in Sections 43.0751 and 43.0752 of the Texas Local Government Code (all further statutory references are to the Local Government Code). This is an arbitration under Section 43.0752, and arises generally out of the inclusion of the MUD by the City in its annexation plan, and the parties' efforts to negotiate and agree to the terms of a SPA related to such annexation efforts. The MUD properly invoked the right to arbitrate these disputes. This arbitration was conducted according to the terms of Section 43.0752, the terms of the letter agreement of the parties dated July 30, 2007 by which the undersigned was named as Arbitrator, and the letter agreement between the parties and the Arbitrator, dated August 7, 2007, by which the undersigned accepted the appointment as Arbitrator, effective as of August 20, 2007.

On August 28 and 29, 2007, after written notice to all parties and their attorneys, the parties and their attorneys appeared and adduced evidence before the Arbitrator at the arbitration hearing of this matter. Each party sponsored an "offer", as that term is used in Section 43.0752, with respect to the terms of a SPA, and offered evidence as to whether the parties' offers met the requirements of, or "comple(d) with", Section 43.0751(p), all in accordance with Section 43.0752.

During the hearing, the MUD stipulated that it would not seek to set aside an award incorporating the City's offer on the basis that such offer was incomplete as a SPA. During the hearing, the City stipulated that it would not seek to set aside an award incorporating the document presented by the MUD to the Arbitrator on August 29, 2007 titled "Strategic Partnership Agreement" on the basis that such document was incomplete as a SPA. Both parties reserved all other objections.

The arbitrator, having received such evidence and stipulations, heard arguments and closed the hearing on Wednesday, August 29, 2007. The Arbitrator proceeded to consider all evidence adduced by the parties, all stipulations and all arguments made. Upon consideration of the submissions of the parties, the evidence, the stipulations and the arguments, the arbitrator makes the following findings, conclusions and award:

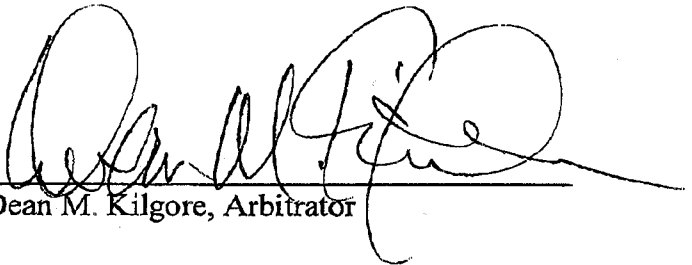
1. The offer sponsored by the City (the "City's Offer"), attached as exhibit "A" to the City's Response to Statement of Claim and Counter-Statement of Claim (such pleading City's Exhibit 2 before the Arbitrator), and generally described in the evidence as the "mediated, negotiated SPA", complies with all requirements of Section 43.0751(p);
2. The City's Offer, a copy of which is attached as Exhibit "A" hereto, is incorporated in this award, in accordance with Section 43.0752, as the strategic partnership agreement of the parties (the "Arbitration SPA");

3. The Arbitration SPA will be effective and binding upon both parties immediately, unless the City, pursuant to Section 43.0564(h), does not agree with the Arbitrator's decision.

4. As provided by Section 43.0752(e), each party shall bear the expense of the arbitrator's fees, as they were paid.

5. All other claims for relief, by or against any party, are Denied.

Dated: August 31, 2007.



Dean M. Kilgore, Arbitrator